

Are You Depleted? The Role of Ego Depletion in Accounting



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Like most professionals, auditors perform actions that generally involve overriding one's natural responses. For example, auditors often struggle to maintain focus on difficult tasks. Recent research has shown that resisting the urge to quit a challenging task in favor of something less strenuous can result in a depletion of mental resources needed to make sound professional judgments.

The phenomenon has been found to negatively affect an auditor's task performance and decision quality, and reduce audit effectiveness. Practicing CPAs should be aware of the risks of ego depletion, particularly in extremely complex audit environments, and should be educated about potential strategies for effectively combatting this risk.

Overriding one's natural responses can be extremely difficult

— so difficult, in fact, that successful resistance can drain an individual's capacity for self-control. Over time, limited self-control resources become depleted; this negatively impacts future task performance. This experience may be familiar to anyone who has attempted to reduce their caffeine intake or eat more salads yet ended up giving in to the very temptation they set out to avoid.

Known as ego depletion, research has shown that this phenomenon can be as harmful to our professional lives as it is to our personal lives, particularly when it comes to maintaining focus on difficult tasks. Consequently, it poses a serious threat to audit effectiveness, as auditors often make important professional judgments after depleting activities, such as exerting significant mental effort on complex audit tasks. This article discusses the psychological concept of ego

depletion, explores the causes and dangers of ego depletion and suggests specific strategies for auditors to combat the effects of ego depletion.

What is Ego Depletion?

As individuals exercise self-control, they are depleting limited cognitive resources. In a professional setting, self-control frequently involves resisting the urge to quit a difficult task or maintaining diligence while working toward a goal. Consumption of these self-regulating resources has a negative impact on subsequent decision-making.

Although psychologists have studied ego depletion for many years, it was not until recently that academics began studying the effects of ego depletion in an audit setting. In general, research has found that performing complex audit tasks, an activity that requires quite a bit of self-control, causes ego depletion in auditors and harms their performance on subsequent tasks (Hurley 2015). Professors Lori Bhaskar, Tracie Majors and Adam Vitalis identify ego depletion as “a pervasive threat to auditor effectiveness” and “one potential root cause to help explain audit deficiencies” (2015). They show that depletion impairs auditor effectiveness, especially for “good” auditors who work comparatively harder than their peers. Fortunately, accounting research is examining depletion to understand its causes, identify strategies to combat consequent risks and ultimately improve audit effectiveness. Accounting research is examining ego depletion to understand its causes, identify strategies to combat consequent risks and ultimately improve audit effectiveness.

Causes of Ego Depletion

The causes can be attributed to both external and internal factors that are prevalent in an audit setting. External factors include task characteristics, such as complexity and uncertainty. For example, as more companies move toward fair value as a means of measuring assets and liabilities, auditors are faced with an increased amount of measurement uncertainty. It is, therefore, becoming increasingly important that auditors broaden their skillset with regard to valuation methodologies and develop an ability to evaluate complex models with ambiguous assumptions. For these reasons, it is expected that the severity of ego depletion is dependent on the task being performed, where more difficult and complex tasks are associated with a greater risk of depletion.

Depletion is also caused by internal factors, such as an individual's desire to maintain focus. For example, resisting the temptation to switch tasks to work on something less difficult and cognitively demanding depletes an individual's self-control resources. We are also more susceptible when performing tasks that require large amounts of working memory (i.e., requiring an increased cognitive load) or when we are interrupted in the middle of a task. This is especially true when the task is near completion and distracting information must be ignored. Additionally, the extent to which we must comply with requests from supervisors or more senior audit team members increases the likelihood of ego depletion.

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Efforts to control our emotions, and therefore overriding natural responses, can also lead to ego depletion. For example, auditors often deal with substantial amounts of stress related to time pressure and accountability. How they respond to these stressors can have implications for the likelihood of depletion.

Managing interpersonal interactions can also lead to emotional strain. Auditors must interact with superiors and subordinates on their engagement team, as well as a variety of employees within a client's organization that requires monitoring for relational cues in interactions. These interactions often require auditors to suppress thoughts and opinions as a means of managing the relationship.

Compounding this effect, depletion is more likely to occur when individuals lack adequate sleep or when blood glucose levels have decreased. Finally, younger, less experienced staff or auditors who are indecisive are especially susceptible to depletion.

The Dangers

The consequences in an auditing environment can be significant. As discussed above, auditors can be depleted by factors including task complexity, uncertainty, time pressure and interpersonal relationships. Unfortunately, ego depletion can harm performance and impair decision quality.

Research has found that a depleted auditor is more likely to reduce effort on a task (Bhaskar et al. 2015) and may experience an impaired ability to identify misstated accounts (Kremin 2015). One study demonstrated that it could also hinder an auditor's ability to detect when a client is withholding information or being dishonest. For example, depleted auditors were found to be significantly more susceptible to a CFO's attempts to explain away unusual financial trends indicative of fraud (Hurley 2015b). This is particularly concerning

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considering that a lack of professional skepticism and overreliance on management explanations are among the leading causes of audit failures related to fraudulent financial reporting.

Other studies have shown that depleted auditors make significantly less accurate risk assessments (Bhaskar et al. 2015). Considering the impact on the nature and extent of audit procedures, these assessments can have serious implications for the overall quality of the audit.

Additional concerns involve the rate at which an individual can become depleted, as well as the extent. Effects have been shown to occur after only 10 or 15 minutes of exerting self-control (e.g., resisting temptations or working on a complex task). The extent of depletion depends on the amount of self-control involved in a task rather than its duration. For example, an auditor may be more depleted while completing a risk assessment task than if the auditor was reviewing a subordinate's work, regardless of which task takes more time, simply because the risk assessment work was more cognitively challenging. Finally, ego depletion is especially risky because those who are affected are usually unaware that they are not performing at maximum capacity.

Combating Ego Depletion

The negative effects are plentiful; therefore, it is important for auditors to understand how to combat this harmful

phenomenon. As previously noted, it is particularly common for younger, less experienced auditors, because they are less likely to be familiar with the audit task and more likely to perceive it as complex or challenging. In this case, managers can prevent depletion by ensuring that experienced staff members are assigned more complex tasks and less experienced auditors are given ample opportunity to shadow and observe others before being assigned new tasks.

For all levels of auditors, maintaining high levels of motivation through self-affirmation can reduce depletion. Self-affirmation can be as simple as telling yourself you are not depleted. Research has also found that auditors who are exposed to the concept of persistence, examples of non-depleted individuals and the general concept of money experience fewer negative consequences.

Additionally, auditors can take steps to reduce the transfer of ego depletion between days. During work hours, auditors will find it beneficial to take short breaks to induce relaxation during difficult tasks. Outside of work, obtaining adequate rest, engaging in meditation, and participating in enjoyable events and hobbies can help to decrease depletion carryover. Limiting the carryover is particularly important during busy season, as auditors have been found to experience an accumulation of ego depletion and reduced performance during this time of year (Hurley 2015c).

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Long-term practice of self-control (to increase self-control endurance) and distracting oneself from temptations by increasing cognitive load are additional strategies. Finally, becoming aware using self-reflection of one's self-control performance can also help to reduce depletion.

Maintaining Focus and Vigilance

The Public Company Accounting Oversight Board cites a lack of auditor effectiveness as a major component of audit failures. Ego depletion may help to explain auditors' poor decision-making quality in audit failure cases.

Depletion negatively affects auditors by impairing their judgments and decision-making quality, and it is particularly prevalent during complex audit tasks where the auditor must maintain focus and vigilance. It is important for auditors to be aware of ego depletion and implement strategies for counteracting the negative effects. ■

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